

## *Excellence in Military Privatization*

### **Walter Reed Army Medical Center**

The Walter Reed Army Medical Center (WRAMC) covers 113 acres in central Washington, D.C. It provides healthcare services to active and retired Army personnel and their families, in addition to its role as the preeminent federal medical center for worldwide referral care, clinical education and clinical research.

While many of the buildings at WRAMC are in good condition others are beginning to experience physical decline. Funding is not available to rehabilitate and maintain these structures, yet their value, location, and historical significance make them too valuable to abandon.

WRAMC is resolving this issue through enhanced use leasing (EUL), a mechanism that allows base commanders to lease unused or underutilized real estate to private parties for cash or in-kind services. EUL leverages private capital in place of government funds; the private sector lessee pays a portion of operating, maintenance, and physical improvement costs, in addition to fair-market rent. Historical buildings are improved, the base maximizes its assets, and the community benefits from new job opportunities brought in by private sector tenants.

At Walter Reed, EUL is being used to lease and improve a historic building (Building 40) and develop a vacant parcel for a new office building (Building 50). Building 40, constructed in 1922 and closed in 1998, lies in the heart of the installation grounds. Its renovation will provide traditional office space during the 2005 WRAMC hospital renovation. Using Building 40 for its administrative functions will save the hospital more than \$3 million per year compared to lease costs off-site.

Building 50 will be constructed on 8.2 acres on the installation's west side. Its development is necessary to meet an estimated demand for between 250,000 and 300,000 square feet of new office space beyond what Building 40 provides. This project will create additional laboratory, administrative, and parking space.

The WRAMC projects are consistent with community plans to revitalize the Georgia Avenue corridor. WRAMC expects that its development will spur economic growth and employment opportunities in the corridor, which currently lacks substantial private development. The private sector has been responsive to the development opportunities available at Walter Reed. Multiple bidders are competing in a structured solicitation process to develop the facilities.

WRAMC's use of the EUL mechanism is a model for other bases to follow. The projects address facility and funding issues that could not have been resolved by traditional military funding channels.